

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Sandusky District Library	County Sanilac
Fiscal Year End 12/31/06	Opinion Date 2/6/07	Date Audit Report Submitted to State 3/8/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt & Doran, P.C.		Telephone Number 989-673-3137	
Street Address 715 E Frank St		City Caro	State MI
Authorizing CPA Signature Gary R Anderson		Zip 48723	License Number 1101005446

Sandusky District Library
Sandusky, Michigan

Report on Financial Statements
(with required supplementary and
additional information)
December 31, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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INDEPENDENT AUDITOR'S REPORT

February 6, 2007

Members of the Board
Sandusky District Library
Sandusky, MI 48471

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities and the major funds of Sandusky District Library, Sandusky, Michigan, as of December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the Table Of Contents. These financial statements are the responsibility of the Sandusky District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Sandusky District Library as of December 31, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As describe in Note 2, the Library has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages i through ii and page 12, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the primary government of Sandusky District Library's basic financial statements. The additional information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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SANDUSKY DISTRICT LIBRARY
Management's Discussion and Analysis
December 31, 2006

The basic financial statements on pages 1 through 4 include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The first two columns of the governmental fund balance sheet/statement of net assets and the governmental fund statement of revenue, expenditures, and changes in fund balance/statement of activities include information about the Library's General Fund and Debt Retirement Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of the funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a Whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a Whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a Whole statement of net assets – full-accrual basis column and the Library as a Whole statement of activities – full-accrual basis column provide information about the activities of the Library as a Whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Condensed Financial Information

Below shows the key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities, including general operations, capital projects, and debt activity – to give a complete picture.

	<u>December 31,</u> <u>2006</u>
Assets	
Current assets	\$413,652
Capital assets	<u>651,875</u>
Total assets	<u>\$1,065,527</u>
Liabilities	
Current liabilities	\$67,833
Long-term liabilities	<u>535,000</u>
Total liabilities	<u>\$602,833</u>
Net Assets	
Investment in capital assets – Net of related debt	\$66,875
Unrestricted	<u>395,819</u>
Total net assets	<u>\$462,694</u>

SANDUSKY DISTRICT LIBRARY
Management's Discussion and Analysis
December 31, 2006

	<u>December 31,</u> <u>2006</u>
Revenue	
Property taxes	\$262,267
Fines	39,061
Other	<u>58,036</u>
Total revenue	359,364
Expenses	<u>333,641</u>
Change in Net Assets	25,723
Net Assets, Beginning of year	<u>436,971</u>
Net Assets, End of year	<u>\$462,694</u>

The Library as a Whole

The Library's net assets increased by \$25,723 this year. The Library's primary sources of revenue are from property taxes and fines.

Salaries and fringe benefits continue to be the largest expense for the Library's General Fund.

The Library's Funds

The budgetary analysis of the General Fund is included on page 12, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance.

Library's Budgetary Highlights

Over the course of the year, the Library Board amended the General Fund's budget several times. The major variance was Operational expense, which was increased by \$19,400.

Capital Assets and Long-term Debt Activity

At the end of the fiscal year, the Library had \$1,036,880 invested in buildings, furniture, equipment, books, videos, and construction in progress based on the historical cost. During the year \$40,910 was spent on books, furniture and fixtures and \$4,000 was spent on building improvements.

The Library issued bonds during the year ended June 8, 1998 totaling \$925,000 for the construction of the library building. Bonds in the amount of \$50,000 were redeemed during the current year.

Requests for Information

This financial report is designed to provide a general overview of Sandusky District Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sandusky District Library, 55 East Sanilac Rd., Sandusky, MI 48471.

BASIC FINANCIAL STATEMENTS

Sandusky District Library
Governmental Fund Balance Sheet/Statement of Net Assets
For the Year Ended December 31, 2006

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

<u>General</u>	<u>Debt Retirement</u>
-----------------------	-------------------------------

ASSETS

CURRENT ASSETS:

Cash in bank

Certificates of deposit

TOTAL CURRENT ASSETS

\$ 11,477	
61,781	
73,258	-

CAPITAL ASSETS:

Capital assets, net of accumulated depreciation

TOTAL CAPITAL ASSETS

-	
-	-

TOTAL ASSETS

\$ 73,258	\$ -
-----------	------

LIABILITIES

CURRENT LIABILITIES:

Payroll liabilities

Current portion of long-term debt

Accrued interest

TOTAL CURRENT LIABILITIES

\$ 13,251	
13,251	-

LONG-TERM LIABILITIES

Bonds payable beyond one year

TOTAL LONG-TERM LIABILITIES

-	-
---	---

TOTAL LIABILITIES

13,251	-
--------	---

FUND EQUITY - Unreserved

Designated:

Debt retirement

Undesignated

	\$ -
60,007	

Total Fund Equity

60,007	-
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TOTAL LIABILITIES AND FUND EQUITY

\$ 73,258	\$ -
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NET ASSETS

Invested in capital assets - net of related debt

Restricted for debt retirement

Unrestricted

TOTAL NET ASSETS

The accompanying notes are an integral part of the financial statements.

<u>Capital Project</u>	<u>Total - Modified- Accrual Basis</u>	<u>GASB No. 34 Adjustments (Note 3)</u>	<u>Library as a Whole</u>
			<u>Statement of Net Assets- Full-Accrual Basis</u>
\$ 96,183	\$ 107,660		\$ 107,660
244,211	305,992		305,992
<u>340,394</u>	<u>413,652</u>	<u>-</u>	<u>413,652</u>
	-	\$ 651,875	651,875
	-	651,875	651,875
<u>\$ 340,394</u>	<u>\$ 413,652</u>	<u>\$ 651,875</u>	<u>\$ 1,065,527</u>
	\$ 13,251		\$ 13,251
	-	\$ 50,000	50,000
		4,582	4,582
	<u>13,251</u>	<u>54,582</u>	<u>67,833</u>
	-	535,000	535,000
	-	535,000	535,000
	<u>13,251</u>	<u>589,582</u>	<u>602,833</u>
	0	0	-
<u>\$ 340,394</u>	<u>400,401</u>	<u>(400,401)</u>	<u>-</u>
340,394	400,401	(400,401)	-
<u>\$ 340,394</u>	<u>\$ 413,652</u>		
		\$ 66,875	\$ 66,875
		-	-
		<u>395,819</u>	<u>395,819</u>
		<u>\$ 462,694</u>	<u>\$ 462,694</u>

Sandusky District Library
Statement of Governmental Fund Revenue, Expenditures And
Changes In Fund Balance/Statement of Activities
For the Year Ended December 31, 2006

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>General</u>	<u>Debt Retirement</u>
REVENUES:		
Intergovernmental Revenue	\$ 180,605	\$ 81,662
Fines	39,061	
Miscellaneous	44,368	55
TOTAL REVENUES	<u>264,034</u>	<u>81,717</u>
EXPENDITURES:		
Salaries and employee benefits	127,430	
Library materials	44,444	
Operational	80,183	
Miscellaneous	3,414	
Capital outlay	12,167	
Depreciation	-	
Debt service-principal	-	50,000
Debt service-interest	-	29,915
TOTAL EXPENDITURES	<u>267,638</u>	<u>79,915</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(3,604)	1,802
OTHER FINANCING SOURCES (USES):		
Operating transfers - in	30,835	
Operating transfers - out		(5,835)
TOTAL OTHER FINANCING SOURCES (USES)	30,835	(5,835)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	27,231	(4,033)
FUND BALANCE/NET ASSETS - JANUARY 1	<u>32,776</u>	<u>4,033</u>
FUND BALANCE/NET ASSETS - DECEMBER 31	<u>\$ 60,007</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

<u>Capital Project</u>	<u>Total - Modified- Accrual Basis</u>	<u>GASB No. 34 Adjustments (Note 3)</u>	<u>Library as a Whole Statement of Net Assets- Full-Accrual Basis</u>
	\$ 262,267		\$ 262,267
	39,061		39,061
\$ 13,613	58,036		58,036
13,613	359,364	-	359,364
	127,430		127,430
	44,444	\$ (32,743)	11,701
	80,183		80,183
	3,414		3,414
	12,167	(12,167)	-
	-	81,352	81,352
	50,000	(50,000)	-
	29,915	(354)	29,561
-	347,553	(13,912)	333,641
13,613	11,811	13,912	25,723
	30,835		30,835
(25,000)	(30,835)		(30,835)
(25,000)	-		-
(11,387)	11,811	13,912	25,723
351,781	388,590	48,381	436,971
\$ 340,394	\$ 400,401	\$ 62,293	\$ 462,694

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:

The City of Sandusky and the Sandusky Community Schools entered into a District Library agreement on March 3, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Sandusky District Library." The District Library district shall be comprised of all that territory in the County of Sanilac, which is located in the jurisdiction limits of the Sandusky Community Schools, State of Michigan.

The District Library is governed by a board consisting of seven members, three appointed by the City, and four appointed by the school district.

On March 3, 1998, the Board of the City of Sandusky transferred ownership of all other assets, personal, tangible and intangible relating to the funds of the Library.

Funding will be provided by a Library District millage. In 1998 the voters approved a maximum 1 mill levy for operations and an amount sufficient to cover any debt. For the year 2006, the operations levy was .75 mill and the debt levy was .45 mill.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING:

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. There is no component unit to be included in the Library's financial report.

ADOPTION OF NEW ACCOUNTING STANDARDS:

During the fiscal period 2006, the District adopted GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999; GASB Statement 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. These statements require the District to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at December 31, 2005 – governmental funds	\$388,590
Long-term liabilities (restated)	(635,000)
Net capital assets (restated)	688,316
Accrued Interest Payable	<u>(4,935)</u>
Restated net assets – January 1, 2006	<u>\$436,971</u>

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds as major funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund was established to make principal and interest payments on the Library's debt.

Capital Projects Fund – The Capital Projects Fund is used to account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

Cash and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

Property Taxes – Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The 2005 taxable valuation of the Library totaled approximately \$184,647,926 on which ad valorem taxes levied consisted of .8539 mills for the Library’s operating purposes and for debt retirement.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture, equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Books/Periodicals	5 years
Building Improvements	10 - 40 years
Equipment	5 - 10 years
Furniture & Fixtures	5 - 10 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

<u>Total Fund Balance – Modified-accrual Basis</u>	\$400,401
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	651,875
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(585,000)
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Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(4,582)</u>
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<u>Total Net Assets – Full-accrual Basis</u>	<u>\$462,694</u>
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<u>Net Change in Fund Balances – Modified-accrual Basis</u>	\$11,811
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Amounts reported in the statement of net activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and videos	32,743
Capital outlay	12,167
Depreciation expense	(81,352)

Bond payments are reported as an expense in the fund statements, but not in the statement of net activities (where it decreases long-term debt)	50,000
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Decrease in accrued interest reported as an expenditure in the statement of activities, but not in the fund statements	<u>354</u>
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<u>Change in Net Assets – Full-accrual Basis</u>	<u>\$25,723</u>
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SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 – BUDGET INFORMATION:

The annual budget is prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year-end. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis. Any violations are disclosed in the required supplementary information.

NOTE 5 - CASH AND EQUIVALENTS - CREDIT RISK:

Deposits

At year-end, the carrying amount of the Library's deposits was \$413,652 of which \$305,992 is invested in certificates of deposits. The bank balance was \$419,237 of which \$243,490 was covered by federal depository insurance and \$175,747 was uninsured and uncollateralized. The Library places its deposits with high quality financial institutions.

Investments

The Library has no investments.

Cash	Primary <u>Government</u> <u>\$413,652</u>
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Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 6 – CAPITAL ASSETS:

Capital asset activity of the Library was as follows:

	BALANCE JANUARY 1, 2006	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE DECEMBER 31, 2006
Capital assets being depreciated:				
Books/Periodicals	\$169,772	\$ 35,131		\$ 204,903
Building & Improvements	620,572	4,000		624,572
Equipment	78,441			78,441
Furniture & Fixtures	<u>123,185</u>	<u>5,779</u>		<u>128,964</u>
Total capital assets, being depreciated	991,970	44,910	NONE	1,036,880
Less accumulated depreciation for:				
Books/Periodicals	85,521	40,981		126,501
Building & Improvements	104,924	18,337		123,261
Equipment	46,088	9,395		55,483
Furniture & Fixtures	<u>67,121</u>	<u>12,639</u>		<u>79,760</u>
Total accumulated depreciation	303,654	81,352		385,006
Total net capital assets	<u>\$688,316</u>	<u>\$(36,442)</u>	<u>\$0</u>	<u>\$651,874</u>

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 – LONG-TERM DEBT:

Outstanding Debt

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1999 Library Building & Site (UTGO) Bonds Payable	4.3 – 5.0%	<u>\$635,000</u>	<u>\$0</u>	<u>(\$50,000)</u>	<u>\$585,000</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of December 31, 2006 are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 50,000	\$27,490	77,490
2008	55,000	25,340	80,340
2009	65,000	22,920	87,920
2010	70,000	19,996	89,996
2011	75,000	16,776	91,776
2012	80,000	13,250	93,250
2013	90,000	9,410	99,410
2014	100,000	5,000	105,000
Total	<u>\$585,000</u>	<u>\$140,182</u>	<u>\$725,182</u>

NOTE 8 – BOND PROPOSALS:

The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. On June 8, 1998, voters approved two special proposals for the District Library. The first proposal was for a library millage allowing the levy of up to 1 mill for operational; the second, was a bond proposal to borrow up to \$925,000 through general obligation unlimited tax bonds for the purpose of a acquiring, construction, furnishing and equipping a new library facility and acquiring and improving the site. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988.

NOTE 9- RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above-described activities. No settlements have incurred in excess of coverage in 2006 or any of the prior three years.

NOTE 10 - PENSION PLAN:

DEFINED BENEFIT PLAN:

On December 28, 1998, the Sandusky District Library elected to place all of its eligible employees into the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the state of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the state of Michigan. The Library has no fiduciary responsibility for the plan. The plan has an effective date of January 1, 1999.

SANDUSKY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - PENSION PLAN (continued):

Only the full-time employees are eligible to participate in the plan. As of December 31, 2006, the Library had two employees who were covered under the plan.

The plan provides for vesting of benefits after six years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the plan are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1.5% of the member's final average compensation (5-year average). The retirement allowance is reduced ½% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by MERS' actuary. The MERS' actuary uses the entry age normal actuarial cost method. Benefit provisions and contribution obligations have been established by the contract.

PENSION BENEFIT OBLIGATION:

The Pension Benefit Obligation (PBO) which is the actuarial present value of pension benefits, adjusted for the effect of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going-concern basis, the funding status of the PERS to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. For 2006, the contribution rate is 7.3% of eligible covered employees wages.

The significant actuarial assumptions that are expected to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering a) the nature and mix of current and expected investments; and b) the basis used to value those assets; (3) projected salary increases are based on 5.5% raises for merit, seniority and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 40-year period.

The book value of net assets was not available at December 31, 2006. The information regarding market value of net assets was not available. Information about the types of securities that comprise the assets was not available at December 31, 2006. MERS had no loans outstanding to the Library at December 31, 2006.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:

COMPUTED EMPLOYER COMPARATIVE SCHEDULE

FISCAL YEAR DECEMBER 31,	CONTRIBUTION RATES AS PERCENTS OF COVERED PAYROLL	COVERED PAYROLL	DOLLAR CONTRIBUTION FOR FISCAL YEAR	
			<u>COMPUTED</u>	<u>ACTUAL</u>
2004	8.46%	\$60,484	\$5,117	\$5,087
2005	9.42%	\$62,296	\$5,868	\$5,868
2006	7.30%	\$62,296	\$4,548	\$4,325

HISTORICAL TREND INFORMATION

Historical trend information is not available.

REQUIRED SUPPLEMENTARY INFORMATION

Sandusky District Library
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2006

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Local & State Grants	\$ 6,000	\$ 6,000	\$ 5,568	\$ (432)
Fines	37,000	37,000	39,061	2,061
Property Taxes	171,010	171,010	175,037	4,027
Miscellaneous		-	44,368	44,368
TOTAL REVENUES	<u>214,010</u>	<u>214,010</u>	<u>264,034</u>	<u>50,024</u>
EXPENDITURES:				
Salaries and employee benefits	116,070	116,070	127,430	(11,360)
Library materials	41,000	41,000	44,444	(3,444)
Operational	69,750	75,650	80,183	(4,533)
Miscellaneous	1,500	2,500	3,414	(914)
Capital outlay	-	12,500	12,167	333
TOTAL EXPENDITURES	<u>228,320</u>	<u>247,720</u>	<u>267,638</u>	<u>(19,918)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,310)</u>	<u>(33,710)</u>	<u>(3,604)</u>	<u>30,106</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers - in			30,835	30,835
Operating transfers - out				-
TOTAL OTHER FINANCING SOURCES (USES)			<u>30,835</u>	<u>30,835</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			<u>27,231</u>	<u>27,231</u>
FUND BALANCE - JANUARY 1	<u>32,776</u>	<u>32,776</u>	<u>32,776</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 18,466</u>	<u>\$ (934)</u>	<u>\$ 60,007</u>	<u>\$ 60,941</u>

ADDITIONAL INFORMATION

Sandusky District Library
Schedule of Revenues
Year Ended December 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental Revenue			
State grants	\$ 6,000	\$ 5,568	\$ (432)
Property taxes	<u>171,010</u>	<u>175,037</u>	<u>4,027</u>
Total Grants	<u>177,010</u>	<u>180,605</u>	<u>3,595</u>
Fines:			
Library fines	7,000	8,818	1,818
Penal fines	<u>30,000</u>	<u>30,243</u>	<u>243</u>
Total Fines	<u>37,000</u>	<u>39,061</u>	<u>2,061</u>
Miscellaneous:			
Interest		5,751	5,751
Miscellaneous	-	32,237	32,237
Contributions		<u>6,380</u>	<u>6,380</u>
Total Miscellaneous	<u>-</u>	<u>44,368</u>	<u>44,368</u>
TOTAL REVENUES	<u>\$ 214,010</u>	<u>\$ 264,034</u>	<u>\$ 50,024</u>

Sandusky District Library
Schedule of Expenditures
Year Ended December 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 99,020	\$ 113,789	\$ (14,769)
Employee Benefits	<u>17,050</u>	<u>13,641</u>	<u>3,409</u>
Total Salaries & Employee Benefits	<u>116,070</u>	<u>127,430</u>	<u>(11,360)</u>
Library Materials:			
Books, magazines & videos	40,000	42,957	(2,957)
Printing	<u>1,000</u>	<u>1,487</u>	<u>(487)</u>
Total Library Materials	<u>41,000</u>	<u>44,444</u>	<u>(3,444)</u>
Operational:			
Contract services & dues	-	-	-
Communications	-	-	-
Computer expense	9,500	9,929	(429)
Seminars & transportation	500	248	252
Insurance and bonds	5,000	5,362	(362)
Utilities	18,000	16,010	1,990
Repairs & maintenance	20,300	24,362	(4,062)
Office supplies & postage	8,500	9,145	(645)
Professional fees	6,550	6,737	(187)
Programs	3,500	5,131	
Dues	<u>3,800</u>	<u>3,259</u>	<u>541</u>
Total Operational	<u>75,650</u>	<u>80,183</u>	<u>(4,533)</u>
Miscellaneous:			
Other miscellaneous	<u>2,500</u>	<u>3,414</u>	<u>(914)</u>
Total Miscellaneous	<u>2,500</u>	<u>3,414</u>	<u>(914)</u>
Capital Outlay	<u>12,500</u>	<u>12,167</u>	<u>333</u>
TOTAL EXPENDITURES	<u>\$ 247,720</u>	<u>\$ 267,638</u>	<u>\$ (19,918)</u>

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

March 1, 2007

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

To the Board of Directors
Sandusky District Library
Sandusky, MI 48471

In planning and performing our audit of the financial statements of Sandusky District Library for the year ended December 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated February 6, 2007 on the financial statements of Sandusky District Library.

1. At the end of the year management had not determined transfers between funds. We would recommend transfers between funds be determined and approved by the board at year-end.
2. At the end of the year management had not recorded interest income on CD's. We would recommend that interest be recorded as interest is earned during the year.
3. The Library did not comply with the requirements of the budgeting act of the State of Michigan. Section IV-2 of Public Act 621 requires that the budget be amended prior to expenditures being made. The Library did not do this. We recommend that the Library review the budget requirements under P.A. 621 and correct Library policies as needed.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various library personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Sandusky District Library, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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